

1-1-1988

## Washington report, vol. 17 no.14, May 30, 1988

American Institute of Certified Public Accountants.

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa\\_news](https://egrove.olemiss.edu/aicpa_news)



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

### Recommended Citation

American Institute of Certified Public Accountants., "Washington report, vol. 17 no.14, May 30, 1988" (1988). *Newsletters*. 1147.  
[https://egrove.olemiss.edu/aicpa\\_news/1147](https://egrove.olemiss.edu/aicpa_news/1147)

This Article is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

# AICPA *Washington Report*

May 30, 1988, Volume XVII, Issue 14

GAO	Advance copy of GAO "Yellow Book" released . . . . .	p. 1
INTERIOR	Proposed rule issued on historic preservation certification tax benefits . . . . .	p. 1
LABOR	Definition of adequate consideration for plan investments proposed . . . . .	p. 1
	Final rule released on employee contributions constituting plan assets . . . . .	p. 2
SEC	AICPA Public Oversight Board meets with Commission . . . . .	p. 2
	Open meeting scheduled on reporting requirements . . . . .	p. 3
	Annual Government-Business Forum Final Report released . . . . .	p. 3
SBA	Three auditing positions available . . . . .	p. 3
TREASURY	Temporary, proposed fiscal year election rules issued . . . . .	p. 3
	Commissioner's Advisory Group schedules open meeting . . . . .	p. 4
	Electronic filing of federal income tax returns to be expanded . . . . .	p. 4
SPECIAL:	Senate Judiciary Committee approves RICO reform legislation . . . . .	p. 5
SPECIAL:	National Intergovernmental Audit Forum releases audit procurement handbook . . . . .	p. 5

## GENERAL ACCOUNTING OFFICE

Advance copies of the 1988 Revision of Government Auditing Standards were issued by the Comptroller General of the United States at the 7th Biennial Joint Intergovernmental Audit Forum Conference on 5/23/88. The revised standards apply to audits of government organizations, programs, activities, and functions, and of government funds received by contractors, nonprofit organizations, and other nongovernment organizations. The types of government audits are classified in this statement as financial audits or performance audits. The General Standards include a new Continuing Education Requirement and a Quality Control Requirement. To meet the Continuing Education Requirement, the 1988 Revision says "the audit organization should have a program to ensure that its staff maintain professional proficiency through continuing education and training. To satisfy this requirement, auditors responsible for planning, directing, conducting, or reporting on government audits should complete, every 2 years, at least 80 hours of continuing education and training which contributes to the auditor's professional proficiency. Individuals responsible for planning, directing, conducting substantial portions of the field work, or reporting on the government audit should complete at least 24 of the 80 hours of continuing education and training in subjects directly related to the government environment and to government auditing." The Quality Control standard is stated as follows in the 1988 Revision: "Audit organizations conducting government audits should have an appropriate internal quality control system in place and participate in an external quality control review program." Organizations conducting government audits should have an external quality control review at least once every 3 years by an organization not affiliated with the organization being reviewed. Final copies will be available shortly.

## INTERIOR, DEPARTMENT OF

Procedures by which owners desiring tax benefits for rehabilitation of historic buildings apply for certifications are the subject of a proposed rule issued by the Department of Interior (see the 5/23/88 Fed. Reg. pp. 18292-305). The proposed rule also establishes procedures to qualify historic properties for Federal income and estate tax deductions for charitable contributions of partial interest in real property. The proposed rule incorporates changes brought about by the Tax Reform Act of 1986 but the certification process a taxpayer must follow remains the same as under previous regulations. Written comments must be delivered or mailed by 7/22/88 to Associate Director, Cultural Resources, National Park Service, U.S. Department of the Interior, P.O. Box 37127, Washington, D.C. 20013-7127. For further information after reading the proposed rule, contact H. Ward Jandl at the Interior Department at 202/343-9584 or Carol D. Shull at 202/343-9536.

## LABOR, DEPARTMENT OF

The definition of adequate consideration to be paid by plans investing in securities for which there is no generally recognized market is the subject of a proposed rule issued by the Department of Labor (DOL) (see the 5/17/88 Fed. Reg. pp. 17632-38). According to the DOL, the proposal is designed to provide guidance with respect to the valuation of investments by plans in assets other than securities for which there is a generally recognized market. These assets would include securities without recognized markets and all other assets, the DOL said. According to the proposal, the general rule would provide that consideration paid

for an asset be its fair market value and be determined in good faith by the trustee or named fiduciary of the plan as measured by the standards of the proposed regulation. In determining fair market value of an asset, plan fiduciaries would be required to determine an asset's value as of the date of the transaction and maintain written documentation on the valuation, the DOL said. According to the DOL, plan fiduciaries would be deemed to have acted in "good faith" in valuing assets when they use sound business principles and conduct a prudent investigation of the circumstances relevant at the time of the valuation. The proposal states that the fiduciaries must also be independent of the parties involved in the transactions or rely on the report of an independent appraiser. If adopted, the regulation will be effective for transactions taking place after the date 30 days following publication of the regulation in final form. Written comments must be received by 7/18/88 and should be submitted to the Office of Regulations and Interpretations, Pension and Welfare Benefits Administration, Room N-5671, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20216, ATTN: Adequate Consideration Proposal. For further information after reading the proposed rule, contact Daniel J. Maguire at the DOL at 202/523-9596 or Mark A. Greenstein at 202/523-7901.

The adoption of a final rule under the Employee Retirement Income Security Act which clarifies when contributions by a participant in an employee benefit plan constitute "plan assets" has been announced by the Department of Labor (DOL) (see the 5/17/88 Fed. Reg., pp. 17628-30). The final rule is designed to ensure that monies paid by employees are promptly paid into plans and not used for the purposes of employers, the DOL said. According to the final rule, amounts paid by employees or withheld from wages for contribution to a plan must be segregated from the general assets of the employer at the earliest date possible, but no later than 90 days from receipt by the employer or the time that the payment would have been received by the employee. The general legal principles of this rule would apply to all types of plans to which employee contributions are made. The final regulation will take effect 8/15/88. For further information after reading the final regulations, contact Judith Bleich Kahn at the DOL at 202/523-7901 or Daniel J. Maguire at 202/523-9596.

#### SECURITIES AND EXCHANGE COMMISSION

SEC Practice Section (SECPS) members that are the subject of the Special Investigations Committee (SIC) reviews will provide SIC officials access to audit workpapers, according to the AICPA's Public Oversight Board (POB) members. The POB met with the SEC in an open meeting to discuss peer review, the special investigations processes and the quality control program. The SIC probe focuses on whether the CPA firm has adequate quality assurance controls or whether remedial action is necessary, said the Board. The POB remarked that the SECPS members have been concerned about the "incremental risk" created by granting access to their workpapers. According to the Board, as a result of the recommendation of an SECPS Task Force established in 1986, the SECPS members agreed to release to SIC investigators workpapers relating to audits that are the subject of litigation. The access to workpapers will allow the SIC to expand its summaries of completed investigations and hopefully will result in the SEC's approval of the SIC program, the POB indicated. In other areas, the Board members discussed their intent to heighten the POB's visibility and increase the public's confidence in the POB, the sanctions imposed by the SECPS and the monitoring of management advisory services and audit engagements.

The SEC has scheduled an open meeting to consider proposed amendments to reporting requirements. The subject matter will include consideration of whether to issue a release for public comment: 1) proposed amendments to revise the reporting requirements for issuers changing their fiscal year end; 2) proposed related amendments to Form 8-K; 3) proposed amendments to the accounting and proxy rules relating to financial reporting; and 4) proposed amendments to the quarterly reporting rules. The meeting is scheduled for Wednesday, 6/1/88, at 10:00 a.m., the Commission has announced. It will be held in the Commission Meeting Room IC30, at the SEC headquarters, 450 5th St., N.W. Washington, D.C. For further information please contact Howard Hodges at the SEC at 202/272-2553.

The Final Report of the 1987 SEC Government-Business Forum on Small Business Capital Formation, held in September 1987, has recently been released. The report entitled, "A Summary of Capital Raising Programs and Procedures," has been provided to the Congress. The Commission hosts this annual gathering of small businessmen, their representatives and representatives of government to consider impediments to the capital raising activities of small business. For further information contact Richard Wulff at the SEC at 202/272-2644. Copies of the 1987 Final Report are available by calling the SEC Public Reference Office at 202/272-7450.

#### SMALL BUSINESS ADMINISTRATION

Three Supervisory Auditor positions in the SBA's Office of Inspector General are open for which applicants are being sought. The positions are open to current or former Federal employees with competitive status. Each of the individuals selected will serve as the Regional Inspector General for Audit of their respective regions. The regions are the Central Region headquartered in Atlanta, the Western Region headquartered in San Francisco, and the Eastern Region headquartered in Washington, D.C. The individuals selected to fill the positions will be responsible for planning, directing, executing and evaluating a geographically dispersed audit program consisting of financial (regulatory) and operational (internal) audits, as well as advising the Assistant Inspector General for Audit in the formulation of policies, standards and procedures governing the audit program. Candidates must have an undergraduate degree in Accounting or a degree that included 24 semester hours of accounting or an equivalent combination of education and experience in accounting or auditing. In addition, candidates must have at least three years of professional auditing and/or accounting experience. One year of the required professional experience must have been at, or equivalent to, the next lower level in the Federal service. The positions open 6/6/88 and close 6/27/88; applications must be postmarked by 6/27/88. Completed forms should be submitted to the SBA, Office of the Inspector General, ATTN: Michelle Thompson, 1441 L Street, N.W., Room 1018, Washington, D.C. 20416. For further information contact Ms. Thompson at 202/653-6370.

#### TREASURY, DEPARTMENT OF

The election by partnerships, S corporations, and personal service corporations (PSCs) to use a taxable year other than their required taxable year is the subject of temporary and proposed regulations issued by the IRS (see the 5/27/88 Fed. Reg., pp. 19688-713 and p. 19715). Section 444 of the Revenue Act of 1987 allows certain partnerships, S corporations, and PSCs to make an election (a "section 444 election") to use a taxable year that is different from the taxable year that such entities would otherwise be required to use under the applicable provision of the

Internal Revenue Code of 1986. Section 444 (d)(3), however, generally prohibits entities that are members of a tiered structure from making a section 444 election. The IRS issued Notice 88-10 in January which stated that the forthcoming temporary regulations would provide that a section 444 election shall not be required to be made before the later of 4/30/88 or 60 days after the publication of the regulations in the Federal Register. Therefore, publication of these temporary regulations commences the beginning of the 60-day period for making a section 444 election, the IRS said. A section 444 election for the first taxable year beginning after 12/31/86 must be made on or before 7/26/88 by filing Form 8716, "Election to Have a Tax Year Other Than a Required Tax Year," with the IRS Service Center indicated by the instructions to Form 8716. In addition, a copy of Form 8716 must be attached to the entity's income tax return for the taxable year for which the section 444 election is made. Comments and requests for a public hearing must be delivered or mailed by 7/26/88 to Commissioner of Internal Revenue, ATTN: CC:LR:T (LR-53-88), Washington, D.C. 20224. For further information after reading the temporary and proposed regulations, contact Arthur E. Davis III at the IRS at 202/566-3918.

The IRS Commissioner's Advisory Group has scheduled a meeting open to the public to be held on 6/8-9/88 at the IRS in Washington, D.C. The agenda includes such topics as administration of penalties, tax system redesign initiatives, tax forms review process, use of enforcement statistics in evaluating employees, implementing the 1986 and 1987 tax acts, the taxpayer bill of rights and the legislative/regulatory process. The meetings are scheduled to begin at 8:00 a.m. on both days. Due to limited conference space, notification of intent to attend the meeting must be made no later than 6/2/88 with Robert F. Hilgen at the IRS at 202/566-4143. If you would like to have the Advisory Group consider a written statement please call or write Robert F. Hilgen, Assistant to the Senior Deputy Commissioner, 1111 Constitution Ave., N.W., Room 3014, Washington, D.C. 20224.

Further expansion of electronic filing of Federal income tax returns in order to speed taxpayer refunds was recently announced by the IRS. In 1989, taxpayers in 36 states will be able to file electronically through participating tax return preparers. The 36 states are as follows: AL, AK, AZ, CA, CO, CT, FL, ID, IL, IN, KY, ME, MD, MA, MI, MT, NE, NV, NH, NY, NC, ND, OH, OR, RI, SC, SD, TN, TX, UT, VT, WA, VA, WV, WI, and WY. The remaining states will be added in 1990, according to the Service. IRS Commissioner Lawrence B. Gibbs told the California Society of Enrolled Agents, "Every year since its inception, we have increased the geographical options for filing electronically and expanded the number of forms and schedules that could be accepted." Next year, according to Commissioner Gibbs, the IRS hopes to increase the number of electronically filed returns to over four million. The Commissioner further indicated that the electronically filed individual income tax returns would be processed at the Cincinnati, OH or the Ogden, UT Service Centers. However, partnership, fiduciary, and small business corporation tax returns and certain pension forms would be accepted at the Andover, MA Service Center. Taxpayers who file their income tax returns electronically will be able to have their refunds deposited directly into their checking or savings accounts. The Commissioner added that due to the elimination of manual processing, costs are reduced and ultimately the government may experience a \$200 million savings over the next ten years. The IRS plans to schedule open meetings for firms and associations interested in providing technology suitable to the electronic filing system. Lastly, the IRS is studying the feasibility of electronic transmission by home computer operators.

**SPECIAL: SENATE JUDICIARY COMMITTEE APPROVES RICO REFORM LEGISLATION**

Legislation to reform the civil Racketeer Influenced and Corrupt Organizations Act, S. 1523, was approved 5/24/88 by members of the Senate Judiciary Committee. The small investor provision of S. 1523 was removed from the legislation on 5/12/88 in a 10-2 vote. In approving the measure, the committee rejected three amendments aimed at limiting the retroactive application of the proposal. Although no date has been scheduled, S. 1523 now goes to the Senate floor for consideration and debate.

**SPECIAL: NATIONAL INTERGOVERNMENTAL AUDIT FORUM RELEASES AUDIT PROCUREMENT HANDBOOK**

"How to Avoid a Substandard Audit: Suggestions for Procuring an Audit" is the title of a handbook just released by the National Intergovernmental Audit Forum. The publication was prepared to "help public entities that are planning an external audit ensure that they engage a qualified auditor and receive a quality audit," Charles A. Bowsher, Comptroller General of the United States, said in a forward to the handbook. The handbook lists and discusses five basic elements that should be considered in selecting an auditor. The five elements are as follows: 1) Planning--determining what needs to be done and when; 2) Fostering competition by soliciting proposals--writing a clear and direct solicitation document and disseminating it widely; 3) Technically evaluating proposals and qualifications; 4) Preparing a written agreement documenting the expectations of the entity and the auditor; and 5) Monitoring the auditor's performance. The handbook also provides information about how the critical elements of a procurement system can be applied to the special needs of small entities. For further information, contact the National Intergovernmental Audit Forum, Room 6826, 441 G St., N.W., Washington, D.C. 20548.

For further information contact Shirley Twillman at 202/737-6600.

## **AICPA *Washington Report***

**American Institute of Certified Public Accountants**

1455 Pennsylvania Ave., N.W., Washington, D.C. 20004-1007

**FIRST CLASS MAIL**